

LAW OFFICES

DRINKER BIDDLE & REATH

PHILADELPHIA NATIONAL BANK BUILDING  
1345 CHESTNUT STREET  
PHILADELPHIA, PA 19107-3496  
(215) 988-2700

SUITE 900  
901 FIFTEENTH STREET, N.W.  
WASHINGTON, D.C. 20005-2503  
TELEPHONE: (202) 842-8800  
FAX: (202) 842-8465

SUITE 400  
47 HULFISH STREET  
POST OFFICE BOX 627  
PRINCETON, NJ 08542-0627  
(609) 921-6336

SUITE 300  
1000 WESTLAKES DRIVE  
BERWYN, PA 19312-2409  
(610) 993-2200

JOAQUIN A. MARQUEZ  
(202) 842-8810

EX PARTE OR LATE FILED

April 4, 1997

BY HAND DELIVERY

William F. Caton  
Acting Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, NW  
Washington, DC 20554

RECEIVED

'APR 4 1997

Federal Communications Commission  
Office of Secretary

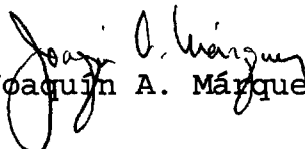
Re: Oral Ex Parte Presentation  
CC Docket No. 96-45

Dear Mr. Caton:

Puerto Rico Telephone Company ("PRTC") hereby gives notice of an oral ex parte presentation in the above-referenced proceeding. Today, Joaquín Márquez and Tina Pidgeon, PRTC's counsel, met with Tom Boasberg of Chairman Hundt's office. The issues discussed in the presentation are summarized in the attached materials that were distributed during the meeting and are consistent with PRTC's prior filings in this proceeding.

One copy of the materials is submitted herewith along with the original pursuant to Section 1.1206(a)(2) of the Commission's Rules, 47 C.F.R. § 1.1206(a)(2).

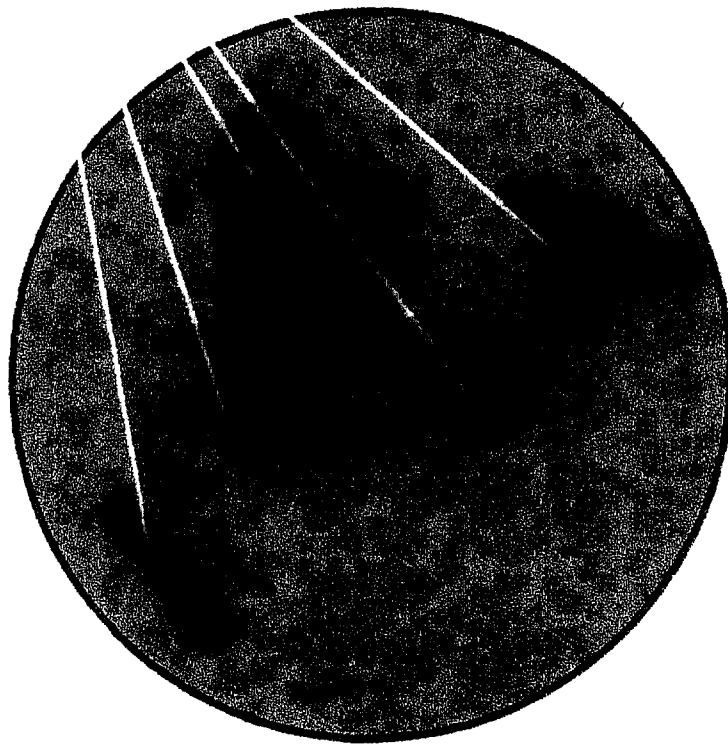
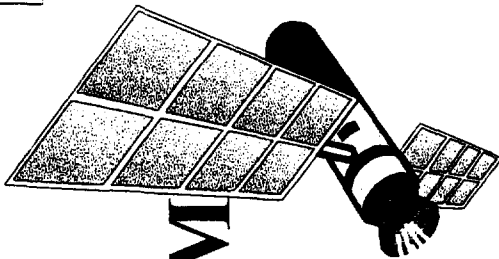
Sincerely,

  
Joaquín A. Márquez

Enclosure

cc: Tom Boasberg

# UNIVERSAL SERVICE PROGRAM



# **BASIC INFORMATION OF PUERTO RICO**

## **BASIC INFORMATION OF PUERTO RICO**

- P. R. IS ONE OF THE MAJOR ANTILLES ISLANDS, LOCATED IN THE CARIBBEAN SEA, 1,650 MILES FROM THE MAINLAND'S NORTHEASTERN COAST
- TWO THIRDS OF ITS TERRITORY ARE COVERED BY A CHAIN OF MOUNTAINS, WITH PEAKS RANGING FROM 1,500 TO GREATER THAN 3,500 FEET

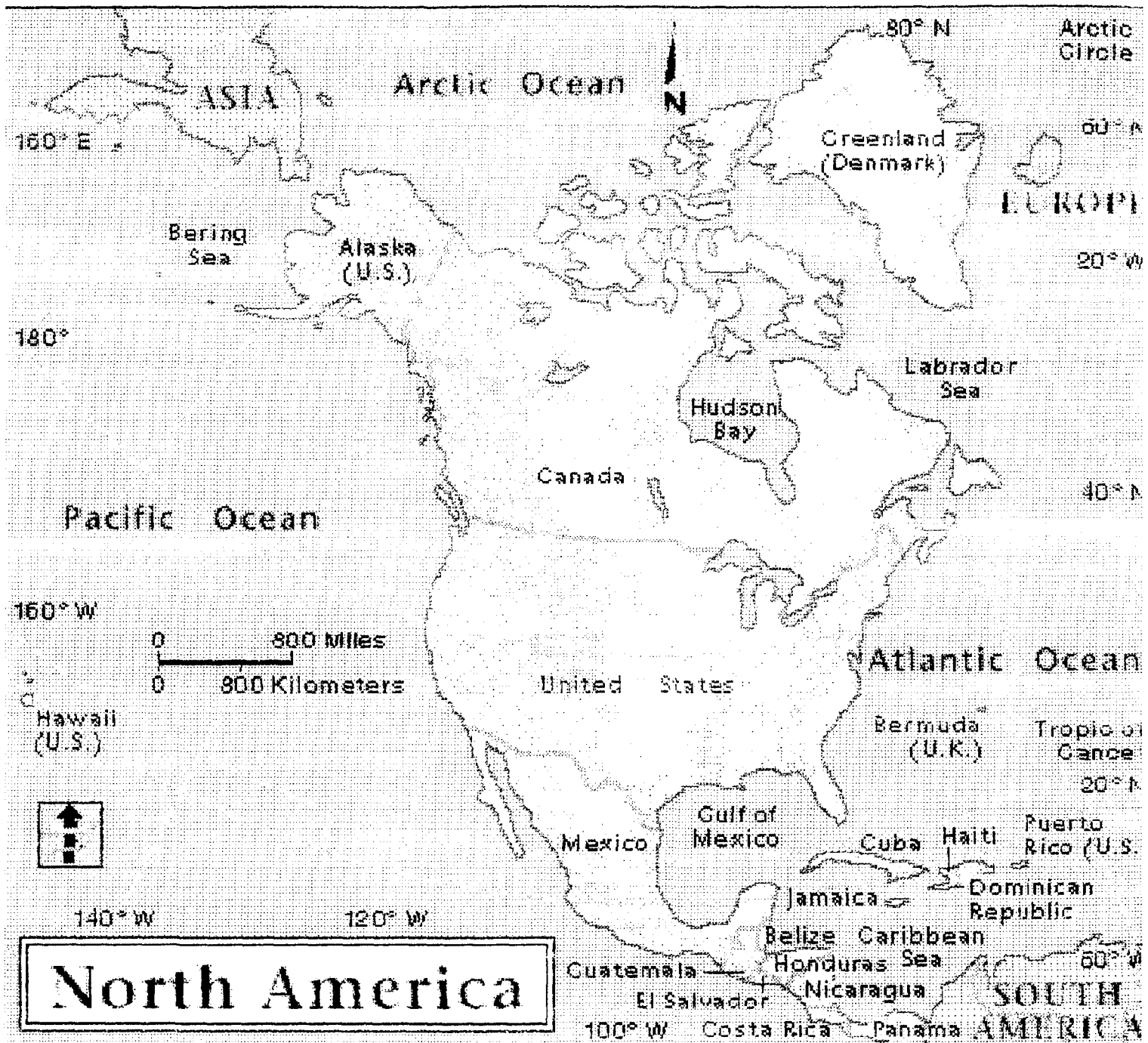
PUERTO RICO  
E ISLAS LIMITROFES



Escala 1:250,000

Proyecto de Puerto Rico, 1940

## North America (Map)



# **STATISTICAL COMPARISON**

## **PUERTO RICO VS. UNITED STATES**

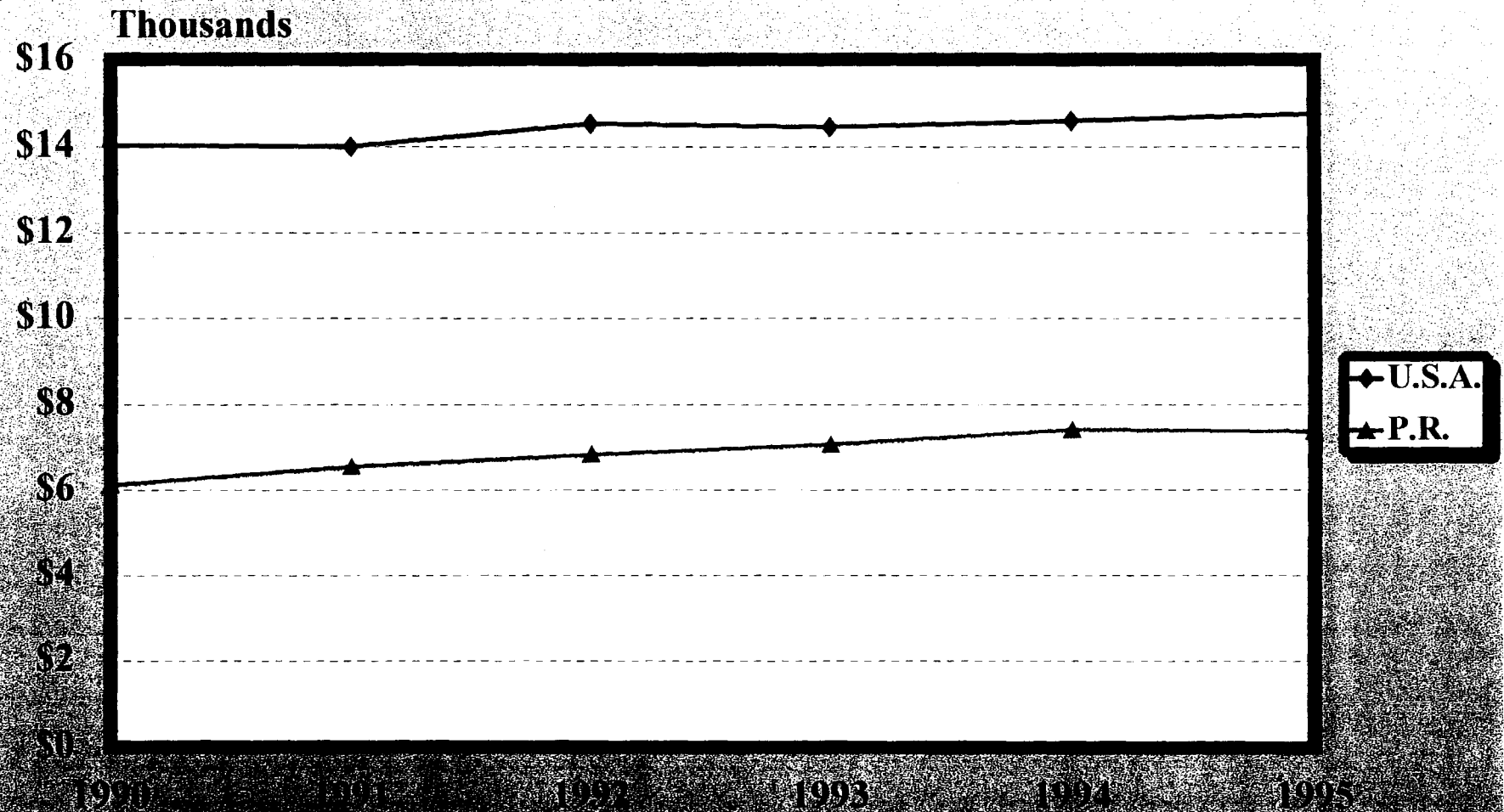
**YEAR 1995**

	<b>P.R.</b>	<b>U.S.</b>
<b>POPULATION</b>	<b>3.74M</b>	<b>262M</b>
<b>GROSS PRODUCT</b>	<b>\$28.4B</b>	<b>\$7,107B</b>
<b>PER CAPITA GROSS PRODUCT</b>	<b>\$8,063</b>	<b>\$27,139</b>
<b>ANNUAL PER CAPITA INCOME</b>	<b>\$7,374</b>	<b>\$14,754</b>
<b>RATE OF INFLATION</b>	<b>4.0%</b>	<b>2.9%</b>
<b>UNEMPLOYMENT RATE</b>	<b>12.5%</b>	<b>5.7%</b>
<b>FAMILIES UNDER POVERTY LEVEL</b>	<b>46.5%</b>	<b>13.8%</b>



# ANNUAL PER CAPITA INCOME

## PUERTO RICO VS. UNITED STATES

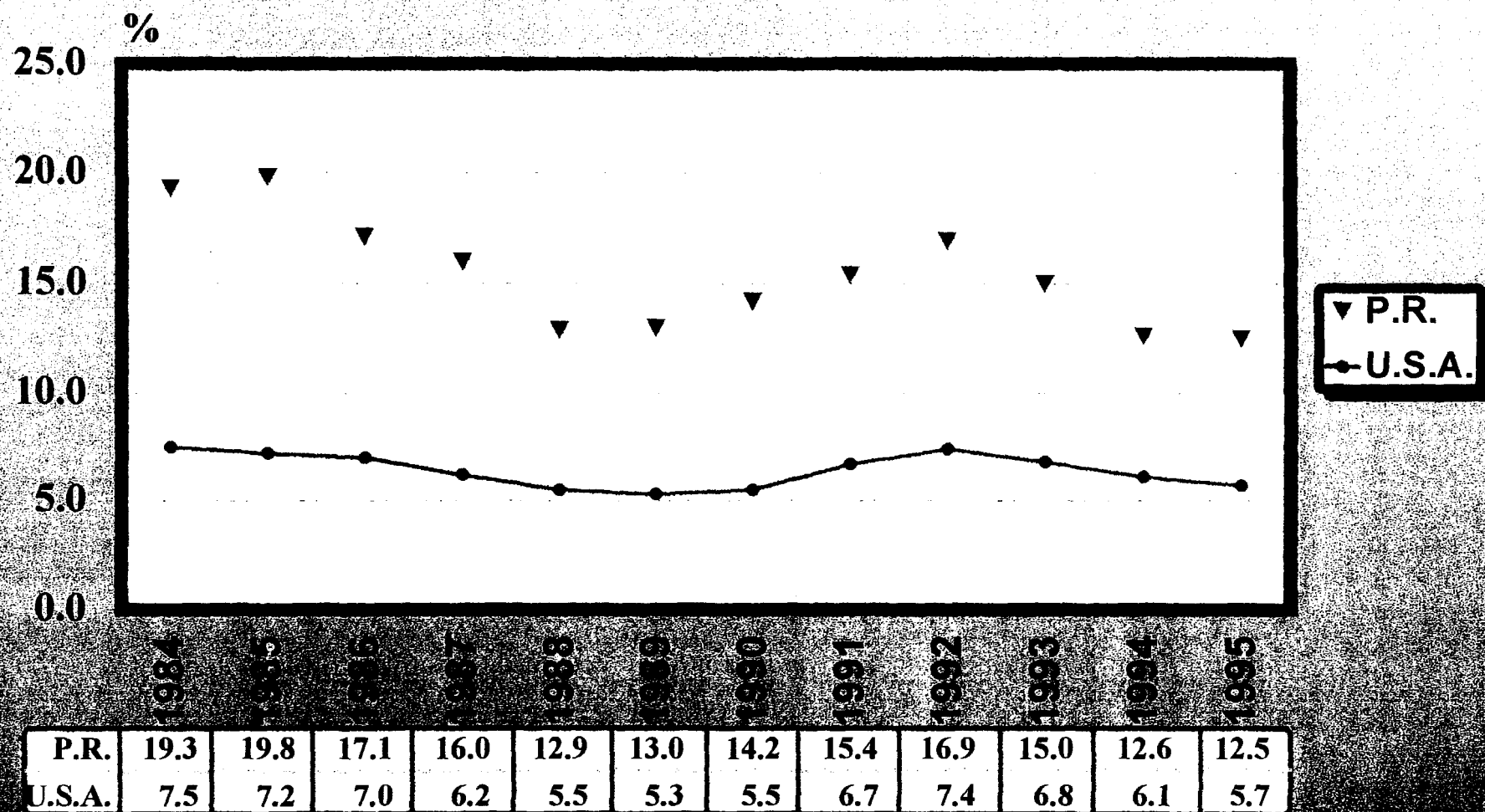


U.S.A.	\$14,018	\$13,998	\$14,533	\$14,451	\$14,598	\$14,754
P.R.	\$6,118	\$6,545	\$6,832	\$7,065	\$7,408	\$7,374



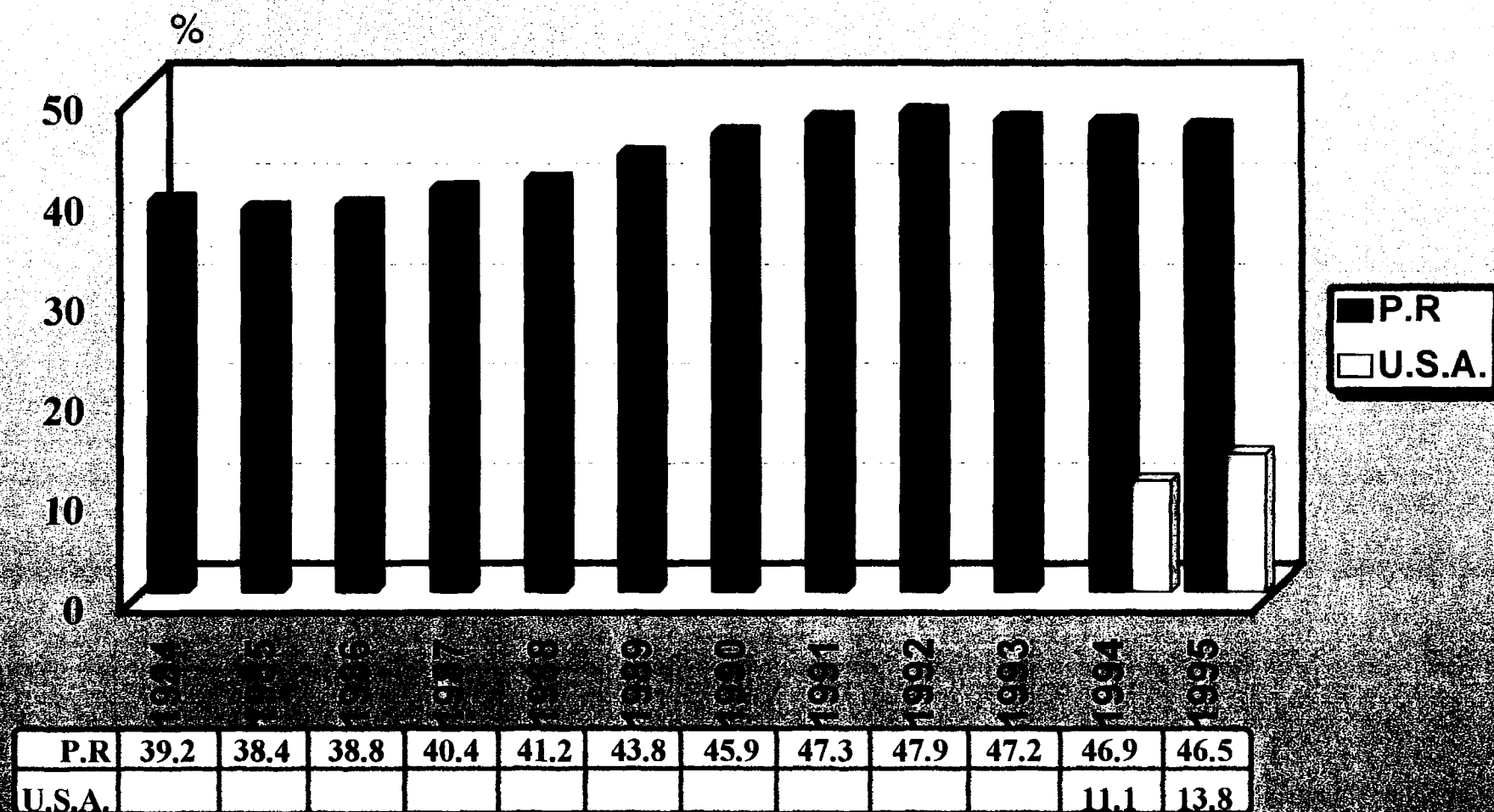
# UNEMPLOYMENT COMPARISON

## PUERTO RICO VS. UNITED STATES



# FAMILIES UNDER POVERTY LEVEL

## (NUTRITIONAL ASSISTANCE PROGRAM)



# PUERTO RICO TELEPHONE COMPANY

# **PUERTO RICO TELEPHONE COMPANY**

## **SERVICES OFFERED**

◆ **BASIC LOCAL SERVICES**

◆ **INTRAISLAND LONG DISTANCE**

◆ **CELLULAR SERVICES**

◆ **PAGING SERVICES**

◆ **PAY TELEPHONE SERVICES**



# **SERVICES OFFERED**

**(CONT.)**

◆ **ACCESS SERVICES**

◆ **INTERCONNECTION SERVICES**

◆ **CPE**

◆ **OPERATOR SERVICES**

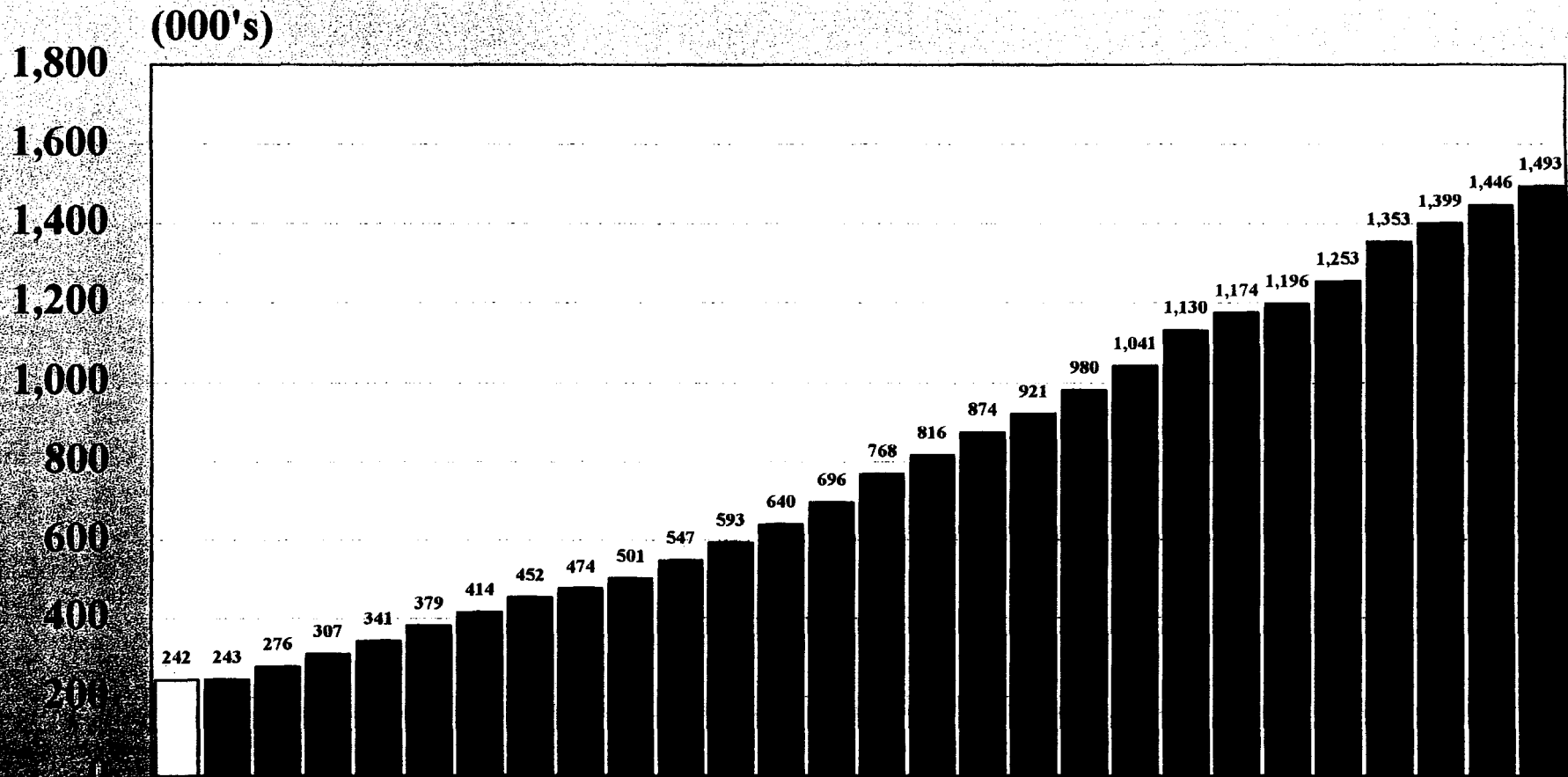
◆ **CONSUMER ASSISTANCE**

# **PUERTO RICO TELEPHONE COMPANY**

- **P. R. T. C. HAS REALIZED TREMENDOUS EFFORTS TO INCREASE TELEPHONE PENETRATION, DESPITE PUERTO RICO'S LOW INCOME LEVELS AND DIFFICULT ECONOMIC CONDITIONS**
- **P. R. T. C.'s EFFORTS HAVE RESULTED IN INCREASING PENETRATION FROM 25.2% IN 1974 TO 74% IN 1996**
- **PENETRATION IN PUERTO RICO IS STILL FAR BELOW THE UNITED STATES AVERAGE AND THEREFORE U. S. F. ASSISTANCE IS REQUIRED TO HELP ACHIEVE OUR UNIVERSAL SERVICE GOAL**

# PUERTO RICO TELEPHONE COMPANY

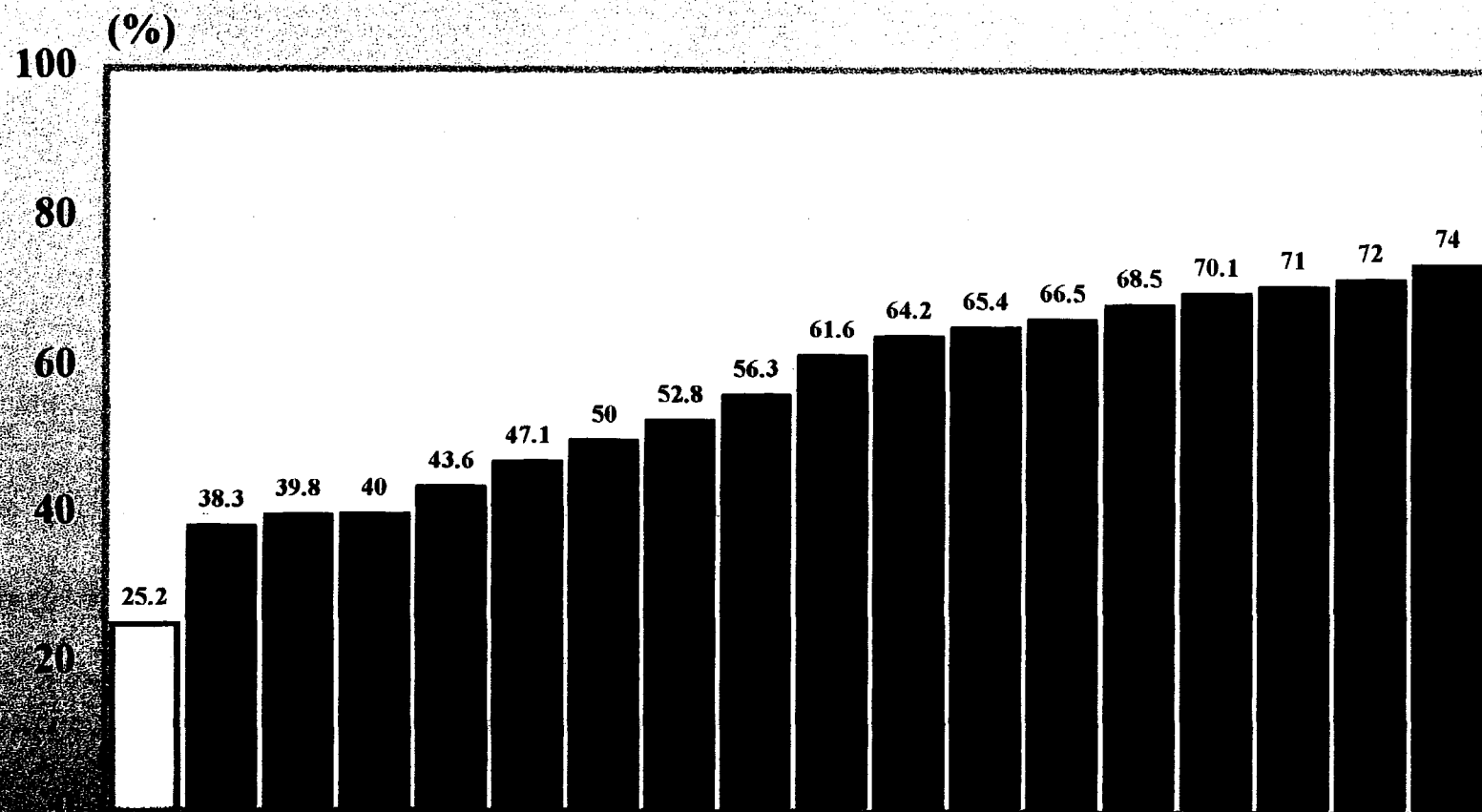
## ACCESS LINES



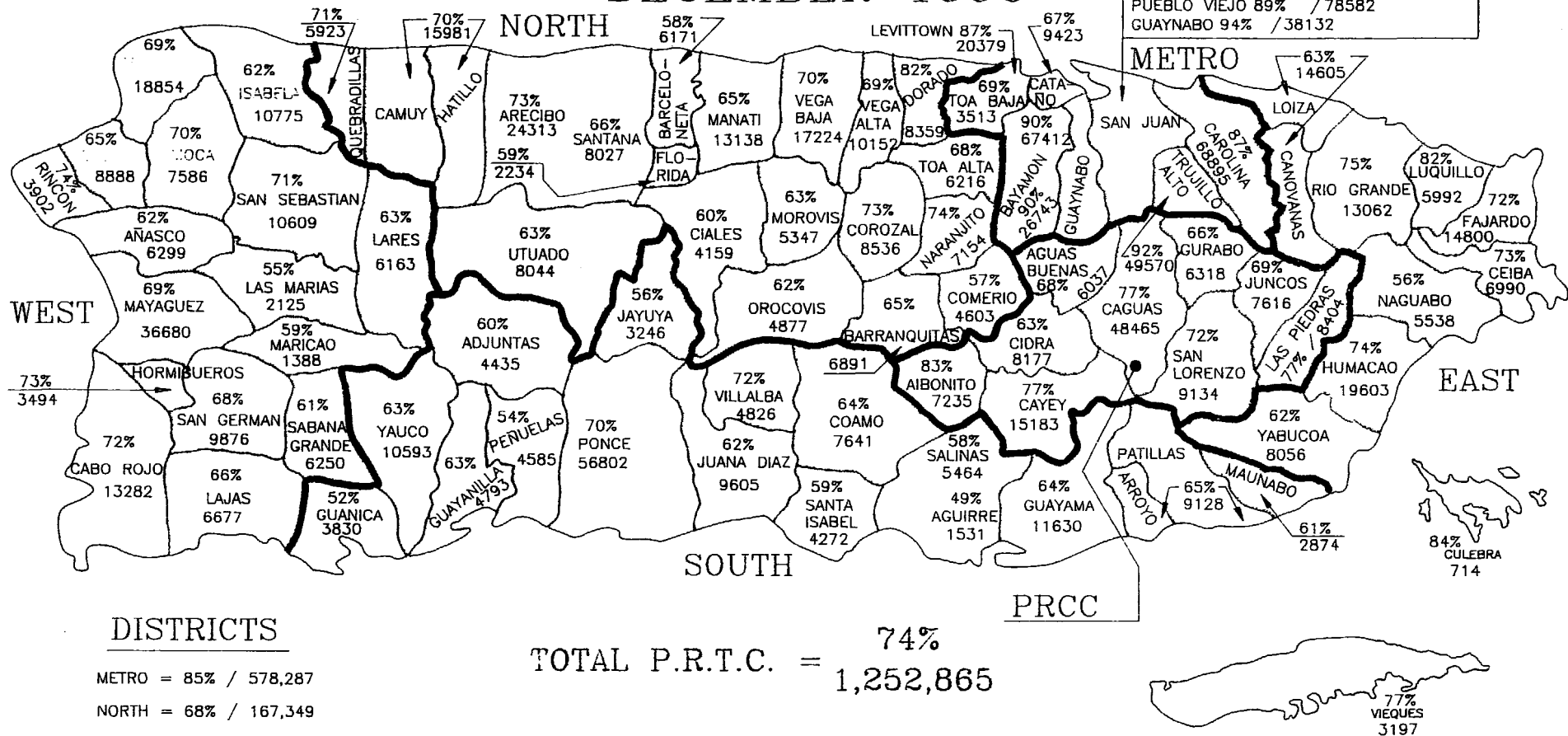


# PUERTO RICO TELEPHONE COMPANY

## TELEPHONE PENETRATION PER 100 HOUSEHOLDS



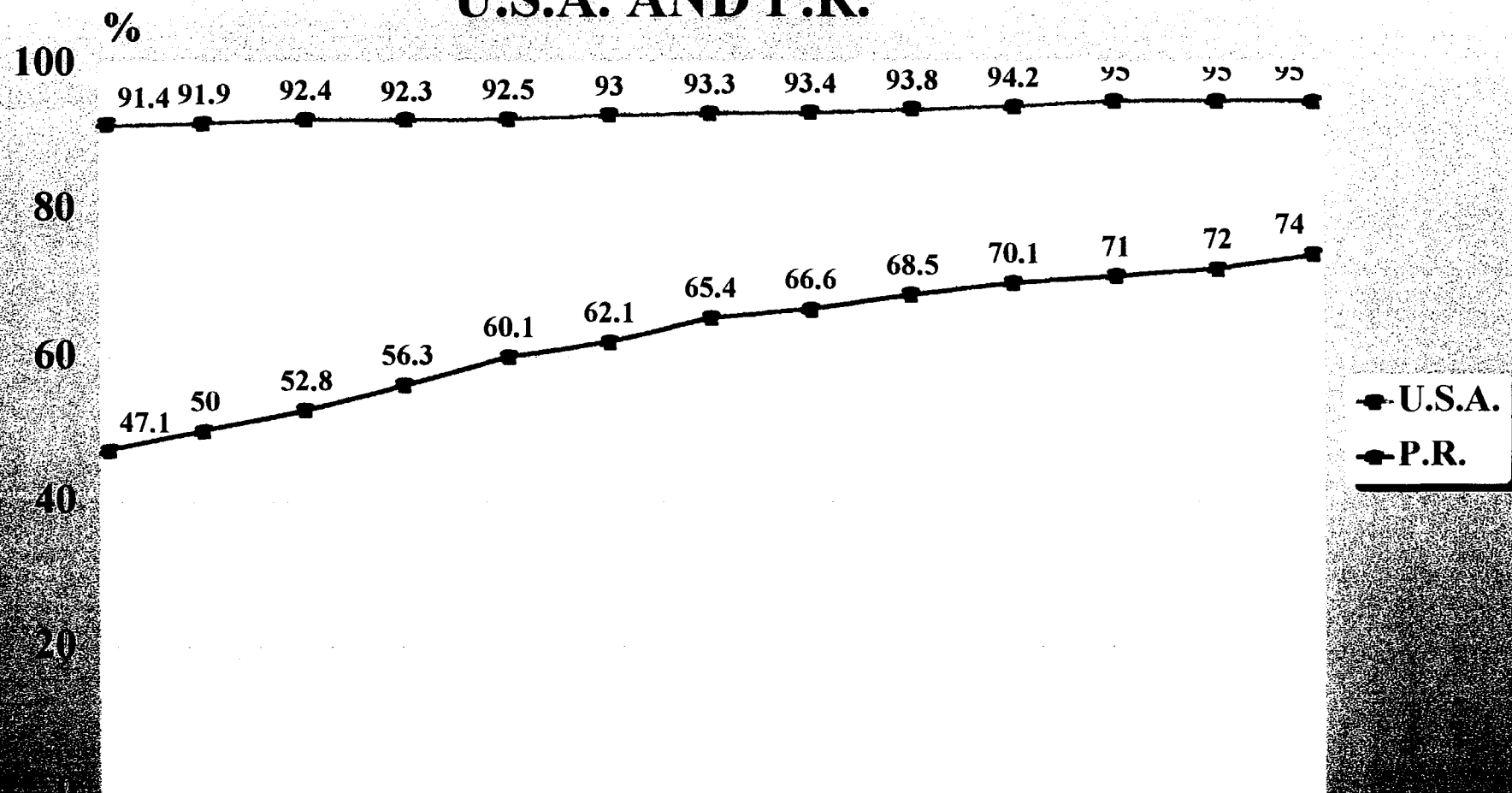
# PERCENTAGE OF HOUSEHOLDS WITH A TELEPHONE AND TOTAL ACCESS LINES IN-SERVICE DECEMBER 1996



# PUERTO RICO TELEPHONE COMPANY

## PERCENTAGE OF HOUSEHOLDS WITH A TELEPHONE

### U.S.A. AND P.R.



JOINT BOARD'S RECOMMENDATIONS  
AND P. R. T. C.'S PROPOSALS

# **UNIVERSAL SERVICE - INSULAR AREAS**

## **ISSUE**

- **THE JOINT BOARD CONCLUDED THAT ONLY RURAL CARRIERS SERVING INSULAR AREAS WOULD BE PERMITTED TO BASE UNIVERSAL SERVICE SUPPORT ON EMBEDDED COSTS.**
- **SECTION 254 (b) (3) OF THE COMMUNICATIONS ACT STATES:**
  - **CONSUMERS IN ALL REGIONS OF THE NATION, INCLUDING LOW - INCOME CONSUMERS AND THOSE IN RURAL, INSULAR, AND HIGH COST AREAS, SHOULD HAVE ACCESS TO TELECOMMUNICATIONS SERVICES, THAT ARE REASONABLY COMPARABLE TO THOSE SERVICES PROVIDED IN URBAN AREAS AND THAT ARE REASONABLY COMPARABLE TO RATES CHARGED FOR SIMILAR SERVICES IN URBAN AREAS.**
- **PRIC WILL NOT QUALIFY UNDER THIS PROPOSAL, EVEN THOUGH IT IS THE ONLY CARRIER IN PUERTO RICO REACHING THOSE UNSERVED AND UNDER-SERVED AREAS THAT ARE MOST IN NEED OF UNIVERSAL SERVICE SUPPORT. THE JOINT BOARD'S PROPOSAL WILL DISQUALIFY PRIC FROM RECEIVING UNIVERSAL SERVICE SUPPORT.**



# **UNIVERSAL SERVICE - INSULAR AREAS**

## **IMPACT ON PUERTO RICO**

- **COSTS FOR PROVIDING SERVICE TO INSULAR AREAS ARE HIGHER THAN FOR URBAN AREAS BASED ON:**

- **UNPREDICTABLE WEATHER PATTERNS, INCLUDING HURRICANES AND TROPICAL STORMS**

- **TECHNICAL BARRIERS OF PROVIDING TELECOMMUNICATIONS SERVICE ON ANY ISLAND**

- **COSTS OF SHIPPING**

- **PUERTO RICO IS AN INSULAR AREA, LOCATED 1,000 MILES FROM MIAMI IN THE CARIBBEAN AND 1,650 MILES FROM THE NORTHEASTERN COAST**

- **THE SERVICE PENETRATION RATE IN PUERTO RICO IS 74% - WELL BELOW THE NATIONAL AVERAGE**

# **UNIVERSAL SERVICE - INSULAR AREAS**

## **PRTC PROPOSAL**

- **SECTION 254 (b)(3) RECOGNIZES THAT CARRIERS SERVING INSULAR AREAS FACE INCREASED COSTS FOR THE PROVISION OF TELECOMMUNICATIONS SERVICES**
- **ANY CARRIER SERVING AN INSULAR AREA WILL EXPERIENCE COSTS THAT ARE NOT COMPARABLE WITH THE COSTS OF SERVING AN URBAN AREA, AND THIS DISPARITY OFTEN WILL BE REFLECTED IN THE RATES**
- **THEREFORE, UNIVERSAL SERVICE SUPPORT DESIGNATED FOR PROMOTING UNIVERSAL SERVICE IN INSULAR AREAS SHOULD BE EXTENDED TO ANY ELIGIBLE CARRIER PROVIDING SERVICE IN SUCH AN AREA**



# **UNIVERSAL SERVICE AFFORDABILITY ISSUE**

- **THE RECOMMENDED DECISION PROVIDES ONLY THAT STATES SHOULD EXERCISE THE PRIMARY RESPONSIBILITY FOR DETERMINING WHETHER RATES ARE AFFORDABLE**

# **UNIVERSAL SERVICE AFFORDABILITY**

## **ISSUE (CONT.)**

- **"AFFORDABILITY" IS SET FORTH AS A STANDARD IN TWO UNIVERSAL SERVICE PROVISIONS:**

- ✓ **"QUALITY SERVICE SHOULD BE AVAILABLE AT JUST, REASONABLE AND AFFORDABLE RATES." SECTION 254(b) (1)**

- ✓ **"THE COMMISSION AND THE STATES SHOULD ENSURE THAT UNIVERSAL SERVICE IS AVAILABLE AT RATES THAT ARE JUST, REASONABLE AND AFFORDABLE." SECTION**

# UNIVERSAL SERVICE AFFORDABILITY ISSUE (CONT.)

- THIS PROPOSAL FAILS TO ENSURE THAT DISTRIBUTION OF UNIVERSAL SERVICE SUPPORT CORRESPONDS WITH A DETERMINATION OF WHETHER RATES ARE AFFORDABLE